

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 COME-00 L-02 AID-05 IGA-01

CIAE-00 INR-07 NSAE-00 TRSE-00 XMB-04 AGR-10 CIEP-02

OMB-01 /056 W

----- 085976

R 171110Z DEC 74

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 0709

UNCLAS KABUL 7904

E.O. 11652: N/A

TAGS: EIFN, EINV, AF

SUBJ: YAQUB LEATHER INDUSTRIES

REF: STATE 273028

1. DR. TARAKI REPORTS THAT MOST MAJOR CPS HAVE BEEN COMPLETED, WITH REMAINING REQUIREMENTS DRIBBLING IN SLOWLY. HE HAS DELAYED REPORTING UNDER HOPE THAT ALL REQUIREMENTS COULD BE COMPLETED. HE IS WRITING INTERIM REPORT NOW, WHICH WILL PROVIDE DETAILS.

2. ONE MAJOR PROBLEM EXISTS. THE MINISTRY OF JUSTICE HAS STATED IT IS UNWILLING TO GIVE ANY LEGAL OPINION ON THIS PROJECT AS IS REQUIRED UNDER 4.14.III. SEVERAL APPROACHES HAVE BEEN ATTEMPTED, BUT MIN/JUSTICE IS ADAMANT. YUNUS RAFIQ AGREES UNLIKELY THAT THE MINISTRY WILL CHANGE ITS MIND. THIS WAS DISCUSSED WITH LIPPMAN WHILE HE WAS HERE. EMBASSY NOW RECOMMENDS THAT THIS REQUIREMENT BE WAIVED, OR DR. TARAKI'S OPINION BE ACCEPTED IN LIEU OF MIN/JUSTICE OPINION. FYI. WORLD BANK, FOR RECENTLY CONCLUDED IFC \$1.3 MILION LOAN TO SPINNING MILL, TRIED FOR MONTHS TO GET SUCH AN OPINION, AND FINALLY WAIVED THE REQUIREMENT. END FYI. PLEASE ADVISE IF WAIVER OR AMZNDMENT OF THIS REQUIREMENT IS POSSIBLE.

3. REMAINING ITEMS (WITH REFERENCE TO PARAGRAPHS IN LOAN AGREE-
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MENT):

A. (4.2) CAPITAL STOCK RETENTION AGREEMENT. NOT YET DELIVERED TO TARAHI.

B. (4.9) INSURANCE. YAQUBS HAVE PROVIDED EVIDENCE OF INSURANCE FOR MOST TYPES SPECIFIED, AND ASSERT THAT REMAINING TYPES ARE NOT AVAILABLE IN AFGHANISTAN. TARAHI HAS REQUIRED A STATEMENT BY THE INSURANCE COMPANIES THAT THE MISSING INSURANCE IS NOT AVAILABLE.

C. (4.10) PROJECT COMPLETION AGREEMENT. NOT YET DELIVERED TO TARAHI.

D. (4.14,II, IV) WRITTEN OPINION FROM YAQUB AND GENLEATHER ATTORNEYS. GENLEATHER OPINION MUST COME FROM U.S., YAQUB LAWYER HAS JUST QUIT, BUT THEY STATE ANOTHER CAN SHORTLY BE FOUND. IN ADDITION, TARAHI IS ASKING FOR CLARIFICATION OF OWNERSHIP OF SHARES HELD BY MOHAMMAD AFZAL, WHO HAS BACKED OUT OF YAQUB GROUP. THIS IS MERELY A FORMALIZATION OF EXISTING ARRANGEMENT. ALSO, TARAHI WISHES TO SEE THE USAID ENGINEERING REPORT ON THE FACTORY, SOME CONFIRMATION THAT THE COMMERCIAL COURT HAS INFORMED LOWER COURTS OF THE OPIC MORTGAGE, AND A COPY OF THE YLI AGREEMENT WITH INDUSTRIAL DEVELOPMENT BANK (IDBA).

4. MR. BLANCHI OF THE IDBA REPORTS THAT THE FINAL APPROVAL OF THE IDBA PARTICIPATION IN YLI WILL BE SIGNED ON SATURDAY, DECEMBER 21. HE ANTICIPATES NO DIFFICULTY, BUT STATES THAT ONE CONDITION FOR A DRAWDOWN OF IDBA MONEY WILL BE EVIDENCE THAT THE CPS FOR A DRAWDOWN FROM OPIC HAVE BEEN FULLY OR SUBSTANTIALLY MET. BLANCHI IS CONCERNED ABOUT THE MIN/JUSTICE REQUIREMENT. HE PERSUADED THE WORLD BANK TO WAIVE THIS REQUIREMENT ON THE ADVICE OF ROBERT HAGER, NOW IDBA ATTORNEY, WHO PREVIOUSLY WORKED IN THE MIN/JUSTICE.

5. RE PARA 3 REFTTEL, SHER AHMAD STATED WHEN ASKED THAT HE AND HIS BROTHERS HAD BORROWED AFS NINE MILLION (9,000,000) OR APPROXIMATELY \$150,000 FROM THE AGRICULTURAL DEVELOPMENT BANK. HE BELIEVES IT DOES NOT VIOLATE THE LOAN AGREEMENT, BECAUSE IT WAS A PERSONAL LOAN. HOWEVER, DR. TARAHI REPORTS THAT YLI HAS DEPOSITED ITS FUNDS IN THE AG BANK, WHETHER

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AS SECURITY OR NOT IS UNKNOWN. EMBOFF INSTRUCTED YAQUBS THAT OPIC MUST HAVE ADVANCE NOTICE OF ANY LOAN THEY TAKE OUT, PERSONAL OR ON BEHALF OF COMPANY, AND THAT THEY SHOULD IMMEDIATELY BRING THIS LOAN AGREEMENT TO DR. TARAHI FOR EXAMINATION. TARAHI WILL GIVE HIS OPINION AS SOON AS HE HAS SEEN THE AG BANK AGREEMENT. APPARENTLY, THIS IS A VERY SHORT-TERM LOAN (EXPIRES IN ONE MONTH) AND WAS USED TO PURCHASE HIDES.

6. WILL REPORT FURTHER AS MORE INFORMATION IS DEVELOPED.

ELIOT

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